

Message Text

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ACTION EB-07

INFO OCT-01 EUR-12 ISO-00 SSO-00 CAB-05 CIAE-00 COME-00

DODE-00 DOTE-00 INR-07 NSAE-00 FAA-00 INRE-00 L-03

PA-02 PRS-01 USIE-00 /038 W
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FM AMEMBASSY LONDON

TO SECSTATE WASHDC IMMEDIATE 4025

UNCLAS SECTION 01 OF 02 LONDON 12995

E.O. 11652: N/A

TAGS: EAIR, UK

SUBJ: CIVAIR - LAKER SKYTRAIN

REF: COLWELL-STYLES TELECON

FOLLOWING IS FULL TEXT OF TRADE SECRETARY'S AUGUST 20
REPLY TO PARLIAMENTARY WRITTEN QUESTIONS CONCERNING
LAKER SKYTRAIN DECISION:

BEGIN QUOTE: FURTHER TO MY ANSWER ON 6 AUGUST 1975
THE ADDITIONAL INFORMATION REQUESTED IS AS FOLLOWS:

IT IS NOT FOR ME TO JUSTIFY THE BALANCE BETWEEN
THE ADVANTAGES AND DISADVANTAGES OF SKYTRAIN THAT MY
PREDECESSOR STRUCK IN 1972, WHEN HE DECIDED TO REJECT
THE APPEAL FROM BRITISH CALEDONIAN AIRWAYS AGAINST
THE GRANT OF A LICENSE TO LAKER AIRWAYS. AS THE RE-
SULT OF MY POLICY REVIEW I AM CONVINCED THAT THE DIS-
ADVANTAGES OF SKYTRAIN HAVE COME TO OUTWEIGH ITS
ADVANTAGES. SINCE 1972 THERE HAVE OF COURSE BEEN MAJOR
CHANGES ON THE NORTH ATLANTIC BOTH IN TRAFFIC GROWTH
PROSPECTS AND THROUGH THE INTRODUCTION OF APEX FARES AND
ABC CHARTERS.

IN SEEKING A SCHEDULED SERVICE PERMIT FOR LAKER MY
DEPARTMENT HAS DEALT WITH THE STATE DEPARTMENT, NOT THE
CAB. OUR REPRESENTATIONS WERE MAINLY CONCERNED WITH THE
QUESTION OF PRINCIPLE REGARDING THE ACCEPTANCE OF LAKER
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AIRWAYS AS A DESIGNATED UK CARRIER, NOT WITH ARGUING THE

MERITS OR DEMERITS OF THE FARES AND OTHER CONDITIONS
PROPOSED FOR THE SKYTRAIN SERVICE.

I CONSIDER IT DESIRABLE TO MAKE PROVISION FOR THE
CHEAPEST POSSIBLE FORM OF TRANSATLANTIC TRAVEL (CON-
SISTENT WITH ECONOMIC OPERATION) NOT ONLY FOR SOME
PASSENGERS BUT FOR ALL THE ESSENTIAL FEATURE OF
SKYTRAIN WOULD HAVE BEEN THE COMBINATION OF A LOW FARE
WITH THE PROVISION FOR LAST-MINUTE BOOKING: INDEED,
ADVANCE BOOKING WOULD NOT HAVE BEEN ALLOWED. BRITISH
AIRWAYS ALREADY OFFER FACILITIES OF THIS KIND ON SOME
ROUTES ("IPEX"). THERE IS NOTHING IN MY PROPOSALS FOR
THE FUTURE OF CIVIL AVIATION WHICH WOULD PREVENT BRITISH
AIRWAYS FROM SEEKING PERMISSION TO INTRODUCE SIMILAR
ARRANGEMENTS ON THE ROUTE BETWEEN LONDON AND NEW YORK.
MY ATTITUDE TOWARDS SUCH A REQUEST WOULD DEPEND UPON THE
PRECISE NATURE OF BRITISH AIRWAYS' PROPOSALS AND THE
SITUATION AT THE TIME.

THE OBJECT OF ADVANCE BOOKING FOR CHARTER FLIGHTS
AND FOR THE LOWEST (APEX) SCHEDULED FARE IS TO AVOID THE
MALPRACTICES WHICH WERE SUCH A FEATURE OF THE "AFFINITY"
CHARTER OPERATIONS ON THE NORTH ATLANTIC A FEW YEARS
AGO, WHILST STILL PROVIDING THE LOWEST ECONOMIC FARE.
FOR THIS AND OTHER REASONS, THE PRESENT ADVANCE BOOKING
PERIOD SEEMS REASONABLE. IT IS OF COURSE OPEN TO THE
CAA TO CONSIDER PROPOSALS FOR ALTERNATIVE LOW COST SER-
VICES NOT REQUIRING LENGTHY BOOKING PERIODS ESPECIALLY
IF THESE WERE DEvised IN SUCH A WAY AS TO UTILIZE SEATS
ON SCHEDULED SERVICES THAT WOULD OTHERWISE REMAIN EMPTY.

THE FARES PROPOSED BY LAKER AIRWAYS FOR THEIR SKY-
TRAIN SERVICE AND THE CHEAPEST FARES CURRENTLY OFFERED
BY BRITISH AIRWAYS ON THEIR SCHEDULED AND CHARTER SER-
VICES BETWEEN LONDON AND NEW YORK ARE AS FOLLOWS:

	PEAK	SHOULDER	WINTER
LAKER AIRWAYS			
(2 SINGLE TICKETS)	118.00	118.00	118.00

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BRITISH AIRWAYS			
(APEX ON SCHEDULED			
FLIGHTS)	160.20	124.00	118.50

BRITISH AIRWAYS			
(ABC CHARTERS)	137.00	109.00	99.00

(ABOVE FIGURES ARE IN ENGLISH POUNDS)

HOWEVER, AS MY HON FRIEND REMINDED THE HOUSE IN THE
DEBATE ON THE CONSOLIDATED FUND (APPROPRIATIONS) BILL ON

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FM AMEMBASSY LONDON

TO SECSTATE WASHDC IMMEDIATE 4026

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1 AUGUST 1975, THE CIVIL AVIATION AUTHORITY MADE IT
PLAIN THAT THE SKYTRAIN FARE WOULD REQUIRE FURTHER CON-
SIDERATION BEFORE THE SERVICE WAS STARTED. UNDER THE
TERMS OF THE AIR SERVICES AGREEMENT THE FARE WOULD ALSO
HAVE HAD TO BE APPROVED BY THE U.S. AUTHORITIES. THE
ACTUAL SKYTRAIN FARE MIGHT THEREFORE WELL HAVE BEEN
HIGHER. MOREOVER, A COMPARISON OF THE FARES ALONE LEAVES
OUT OF ACCOUNT THE OTHER CONDITIONS - FOR EXAMPLE THE
ABSENCE OF A REDUCED FARE FOR CHILDREN ON SKYTRAIN.

IT IS NOT POSSIBLE TO GIVE A PRECISE ESTIMATE OF
THE NUMBER OF ADDITIONAL JOURNEYS THAT WOULD HAVE BEEN
MADE IF SKYTRAIN HAD BEEN STARTED. HOWEVER, ON THE
SAME BASIS AS THE ESTIMATES ALREADY PROVIDED (NOTABLY
THE ASSUMPTION THAT THERE WOULD HAVE BEEN TWO SKYTRAIN
SERVICES, ONE BY LAKER AIRWAYS AND THE OTHER BY A U.S.
AIRLINE, WITH EQUAL CAPACITY), ABOUT 25,000 ADDITIONAL
RETURN JOURNEYS A YEAR WOULD HAVE ORIGINATED ON EACH
SIDE OF THE ATLANTIC.

NEITHER I NOR MY DEPARTMENT AT ANY TIME GAVE LAKER AIRWAYS AUTHORITY OR SUPPORT FOR THE PURCHASE OF DC10 AIRCRAFT. NO AUTHORITY WAS REQUIRED FOR THE PURCHASE AND IMPORTATION OF THE AIRCRAFT, WHICH WERE COVERED BY OPEN GENERAL IMPORT LICENSE. AS MY HON FRIEND EXPLAINED IN THE DEBATE ON 1 AUGUST, THE DECISION TO REMIT IMPORT

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DUTY DEPENDED ON QUITE SEPARATE CONSIDERATIONS. THE PURCHASE OF THESE AIRCRAFT REPRESENTED A CALCULATED RISK ON THE PART OF LAKER AIRWAYS WHO SAW AN OPPORTUNITY TO BUY THEM ON FAVORABLE TERMS. THE LEGAL AND OTHER COSTS WERE INCURRED BY LAKER AIRWAYS IN FULL KNOWLEDGE OF THE RISKS INVOLVED. THE COMPANY MUST HAVE BEEN WELL AWARE NOT ONLY OF THE RISKS OF APPEAL AGAINST THE CAA DECISION AND OF APPLICATIONS FOR SUBSEQUENT REVOCATION OF THEIR LICENSE, BUT ALSO OF THE RISK THAT THE CAB WOULD EITHER RECOMMEND AGAINST THE GRANT OF A PERMIT OR ATTACH CONDITIONS WHICH WOULD MAKE SKYTRAIN UNVIABLE. LAKER AIRWAYS WERE ALREADY IN DISPUTE WITH THE CIVIL AERONAUTICS BOARD OVER ALLEGED INFRINGEMENTS OF THEIR CHARTER OPERATOR PERMIT. CONSEQUENTLY I SEE NO REASON TO COMPENSATE THEM FOR ANY LOSS WHICH MAY BE ALLEGED TO FOLLOW FROM MY DECISION THAT THE SKYTRAIN SERVICE WOULD NOT BE

ALLOWED TO START.

AS MY HON FRIEND MENTIONED IN THE DEBATE ON 1 AUGUST, THERE IS NO GREAT DIFFERENCE BETWEEN THE CAA AND MYSELF OVER THIS DECISION. THE CAA WOULD HAVE PREFERRED TO LEAVE MATTERS ON THE BASIS OF THEIR CONCLUSION, IN FEBRUARY 1975, THAT THE SKYTRAIN SERVICE SHOULD NOT BE INAUGURATED UNTIL THE NORTH ATLANTIC MARKET FOR AIR TRAVEL HAD RESUMED A HEALTHY RATE OF GROWTH AND THAT THIS WAS UNLIKELY TO HAPPEN FOR AT LEAST TWELVE MONTHS. I DECIDED HOWEVER THAT RATHER THAN KEEP LAKER AIRWAYS HANGING ON FROM YEAR TO YEAR WITH VERY LITTLE PROSPECT OF BEING ABLE TO START THEIR SERVICE, IT WAS BETTER TO MAKE THE POSITION PLAIN AND TO ENCOURAGE THEM TO DEVOTE THEIR ENERGIES TO BUILDING UP THEIR TRANSATLANTIC AND OTHER CHARTER OPERATIONS. END QUOTE.

RICHARDSON

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